

**LEGISLATIVE SERVICES AGENCY
OFFICE OF FISCAL AND MANAGEMENT ANALYSIS**

301 State House
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FISCAL IMPACT STATEMENT

LS 7045

BILL NUMBER: SB 651

DATE PREPARED: Feb 2, 1999

BILL AMENDED:

SUBJECT: PERF pension benefits.

FISCAL ANALYST: James Sperlik

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FUNDS AFFECTED: ☒ **GENERAL**
☒ **DEDICATED**
FEDERAL

IMPACT: State & Local

Summary of Legislation: This bill provides that the multiplier used in calculating pension benefits for a PERF member who retires after June 30, 1999, with at least ten years of service as a state employee is equal to 1.2% plus an additional 0.02% for each year of service that exceeds ten years. It provides that this increased multiplier also applies to employees of a PERF covered employer other than the state if the employer makes an election. The bill provides that the multiplier used for members of PERF who become disabled after June 30, 1999, with at least five but less than ten years of service is equal to 1.2%. (Current law provides that the multiplier for PERF members is equal to 1.1%.)

Effective Date: July 1, 1999.

Explanation of State Expenditures: (Revised) This bill would increase the benefit multiplier under PERF from 1.1% to 1.2%, plus an additional 0.02% for each year of service that excess ten years, for all benefits payable after June 30, 1999.

PERF

The impact for PERF is shown in the table below:

| | State | Municipalities | Total |
|--|----------------|-----------------------|-----------------|
| Additional Unfunded Accrued Liability | \$686 million | \$748 million | \$1,434 million |
| Additional Annual Funding | \$77.1 million | \$91.2 million | \$168.3 million |
| Additional Funding as a % of Payroll | 6.5% | 5.0% | 5.6% |

The funds affected for the state are the State General Fund 55%, or \$42.4 million and various dedicated funds 45%, or \$34.7 million. The distribution represents the split between the State General Fund and various dedicated funds for personal services.

Explanation of State Revenues:

Explanation of Local Expenditures: See Explanation of State Expenditures above. The bill provides that the increase multiplier also applies to employees of a PERF covered employer other than the state if the employer makes an election.

Explanation of Local Revenues:

State Agencies Affected: All.

Local Agencies Affected: Municipalities with members in PERF.

Information Sources: Doug Todd of McCready & Keene, Inc., actuaries for PERF, 576-1508.

Unfunded Accrued Liability--The unfunded accrued liability (sometimes called the unfunded liability) of a retirement system at any time is the excess of its accrued liability as that time over the value of its cash and investments.

Funding--Funding is a systematic program under which assets are set aside in amounts and at times approximately coincident with the accruing of benefit rights under a retirement system.